Nkomazi Local Municipality

Annual Financial Statements
for the year ended 30 June 2011

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services
Mayoral committee	
Executive Mayor	Khoza T S
Speaker	Macie K J
Chief Whip	Mabuza S
Members of Mayoral Committee	Mhlanga M W
	Mkhatshwa S L
	Magagula P P
	Ngomane E M
	Shongwe M R
Councillors	Cloete A
	Dikiza G K
	Hlahla B A
	Langa N P
	Letsoalo S M
	Luphoko P C
	Lusibane F N
	Mabuza V E
	Madolo S P
	Mahlalela S S
	Mahlalela E J
	Makamo L S
	Makhubela B S
	Makhubela J J
	Makhubela L S
	Malaza B B
	Mambane D S
	Maphanga D A
	Masilela D L
	Masilela D J
	Masilela T E
	Masuku S H
	Mathenjwa N D
	Mathonsi S S
	Mazibuko B C
	Mkhabela L A
	Mkhumbane M R
	Mkhumbane T C
	Mnisi D P
	Mnisi P M
	Mogiba G N
	Motha C M
	Mpofu J N
	Msithini S Z
	Mthombo T M
	Myeni N M
	Mziako P M
	Ndlala S J

General Information

	Ngomane B D Ngomane G B Ngomane L P Nkambule G J Nkentshane M E Nkosi J M Ntuli S J Preddy M M S Shabangu V T Shongwe M D Shongwe W H Shungube Z I Sibiya S C Silombo S R Thumbathi B P Vuma L T Zitha M A
Grading of local authority	8
Accounting Officer	Mkhatshwa MR (Acting Municipal Manager)
Chief Finance Officer (CFO)	Mkhonto JW (Acting Chief Financial Officer)
Business address	Civic Centre 9 Park Street Malelane 1320
Postal address	Private Bag X101 Malelane 1320
Auditors	The Auditor-General, Mpumulanga

Index

The reports and statements set out below comprise the annual financial statements to be presented to the Council:

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
CR	Capitalization Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
GGR	Government Grant Reserve
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
IFRS	International Financial Reporting Standards
ME's	Municipal Entities

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and will be given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the municipality's external auditors and their report is expected before 30 November 2011.

The accounting officer is responsible for the preparation of these Annual Financial Statements, which are set out on the attached pages, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the notes of the attached Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.The annual financial statements set out on pages 6 to 60, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011.

Mkhatshwa MR - Acting Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2011.

1. Review of activities

Main business and operations

The municipality is a medium capacity municpality, engaged in providing municipal services. It delivers basic services such as water, electricty and refuse removal services to the Malelane, Komaitpoort, Marloth Park and Hectorspruit region. The municipal provides free water and refuse removal services to rural areas within the local sphere of Nkomazi.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 8,145,701 (2010: deficit R 3,034,059).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any material matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality at the date of this report is mentioned on page 2.

6. Auditors

The Auditor-General, Mpumulanga will continue in office for the next financial period.

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	5	623,075	282,024
Operating lease asset	14	10,650	-
Other receivables from non-exchange transactions	6	540,778	1,156,024
VAT receivable	7	24,533,141	17,587,805
Consumer debtors	8	25,729,392	22,143,467
Cash and cash equivalents	9	5,002,000	48,219,647
		56,439,036	**89,388,967**
Non-Current Assets			
Investment property	3	8,167,900	8,167,900
Property, plant and equipment	4	788,055,983	724,961,551
Intangible assets	10	152,428	191,312
		796,376,311	**733,320,763**
Total Assets		**852,815,347**	**822,709,730**
Liabilities			
Current Liabilities			
Other financial liabilities	12	1,374,575	843,121
Finance lease obligation	13	1,063,952	1,367,395
Operating lease liability	14	178,909	51,342
Trade and other payables	15	40,627,229	49,397,359
Unspent conditional grants and receipts	16	16,975,435	4,533,500
Provisions	17	25,624,986	13,660,304
Bank overdraft	9	8,150,485	-
		93,995,571	**69,853,021**
Non-Current Liabilities			
Other financial liabilities	12	3,263,429	4,533,652
Finance lease obligation	13	1,862,618	2,747,939
Operating lease liability	14	229,281	256,369
		5,355,328	**7,537,960**
Total Liabilities		**99,350,899**	**77,390,981**
Net Assets		**753,464,448**	**745,318,749**
Net Assets			
Accumulated surplus		753,464,448	745,318,749

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue	20	386,203,296	371,686,839
Other revenue	26	8,145,303	3,967,966
Operating expenses		(387,105,254)	(386,185,504)
Operating surplus (deficit)		**7,243,345**	**(10,530,699)**
Investment revenue	24	4,011,543	8,957,321
Finance costs	31	(3,109,187)	(1,460,681)
Surplus (deficit) for the year		**8,145,701**	**(3,034,059)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	753,348,808	753,348,808
Adjustments		
Prior year adjustments	(4,996,000)	(4,996,000)
Balance at 01 July 2009 as restated	**748,352,808**	**748,352,808**
Changes in net assets		
Deficit for the year	(3,034,059)	(3,034,059)
Total changes	(3,034,059)	(3,034,059)
Opening balance as previously reported	729,503,482	729,503,482
Adjustments		
Prior year adjustments	15,815,265	15,815,265
Balance at 01 July 2010 as restated	**745,318,747**	**745,318,747**
Changes in net assets		
Surplus for the period	8,145,701	8,145,701
Total changes	8,145,701	8,145,701
Balance at 30 June 2011	**753,464,448**	**753,464,448**

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Delivery of services and other revenue		85,299,079	78,378,975
Grants		293,233,162	283,058,205
Interest income		4,011,543	8,957,321
Other receipts		930,580	6,107,213
		383,474,364	376,501,714
Payments			
Employee costs		(169,458,266)	(141,389,065)
Suppliers and employees		(143,635,067)	(193,407,390)
Finance costs		(2,580,233)	(986,760)
		(315,673,566)	(335,783,215)
Net cash flows from operating activities	37	**67,800,798**	**40,718,499**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(116,712,447)	(92,361,135)
Proceeds from sale of property, plant and equipment	4	-	271,106
Net cash flows from investing activities		**(116,712,447)**	**(92,090,029)**
Cash flows from financing activities			
Repayment of other financial liabilities		(738,769)	(1,104,836)
Finance lease payments		(1,717,714)	(1,575,989)
Net cash flows from financing activities		**(2,456,483)**	**(2,680,825)**
Net increase/(decrease) in cash and cash equivalents		**(51,368,132)**	**(54,052,355)**
Cash and cash equivalents at the beginning of the year		48,219,647	102,272,002
Cash and cash equivalents at the end of the year	9	**(3,148,485)**	**48,219,647**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

1.1 Significant judgements and sources of estimation uncertainty (continued)

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

The municipality used an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows. Appropriate adjustments have been made to compensate for the effect of deferred settlment terms that materially impact on the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments requires a degree of estimation around the discount rates and periods used.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Useful lives and residual values

The municipality re-assesses the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant and equipment - management considers the conditions and use of individual assets, to determine the remaining period over which the asset can and will be used.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Accounting Policies

1.3 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The remainder of useful life of certain assets were extended by another 2 years as the results of the municipality's expectation to utilise them longer.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Plant and machinery	5 - 20 years
Furniture and fixtures	5 - 10 years
Transport assets	7 - 20 years
Office equipment	5 - 10 years
IT equipment	5 - 10 years
Infrastructure assets	
• Roads and paving	10 - 100 years
• Dwellings	10 - 30 years
• Electricity	5 - 80 years
• Water	10 - 100 years
• Sewerage	15 - 60 years
• Solid waste disposal	15 - 55 years
Heritage assets	Indefinite

1.3 Property, plant and equipment (continued)

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assesment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to Statement of Financial Performance.
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Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through surplus or deficit - held for trading
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities at fair value through surplus or deficit - held for trading
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at .

1.4 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Investments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Trade and other receivables

1.4 Financial instruments (continued)

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified as irrecoverable. Amounts that are receivable within 12 months from the reporting date are classified as current.

Trade and other payables

Trade payables are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.5 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and net realisable value where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

1.6 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.7 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

1.7 Impairment of cash-generating assets (continued)

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.8 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.10 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Accounting Policies

1.10 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.11 Revenue from exchange transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognized on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised on a time proportion bases.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

1.11 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.12 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment are brought into use

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

1.12 Revenue from non-exchange transactions (continued)

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality’s supply chain management policy. Irregular expenditure excludes unauthorized expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Accounting Policies

1.19 Presentation of currency

These annual financial statements are presented in South African Rand.

1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.21 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned or controlled by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Related party disclosures for transactions between goverment entities that took place on terms and conditions that are considered in arm's length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the municipality. We regard all individuals from the level of Municipal Manager and Council Members as key management per definition of the reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influnce, or to be influnced by key management individuals, in their dealings with the municipality.

Related party disclosure for transaction between the municipality and the municipal entity that took place are diclosed in note 41.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.24 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

1.25 Value Added Tax

The municipality accounts for Value Added Tax on payment basis.

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2011 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:
- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘Statement of Comparison of Budget and Actual Amounts’. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:
- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

2. New standards and interpretations (continued)

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:
- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104: Financial Instruments

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:
- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:
- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:
- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality’s statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

3. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	8,167,900	-	8,167,900	8,167,900	-	8,167,900

Reconciliation of investment property - 2011

	Opening balance	Total
Investment property	8,167,900	8,167,900

Reconciliation of investment property - 2010

3. Investment property (continued)

	Opening balance	Total
Investment property	8,167,900	8,167,900

Investment property consist out of land only and is kept for capital appreciation.

The effective date of determination of the investment property prices for GRAP purposes was 1 July 2007. The depreciable replacement cost method was used. No independent valuation for the current year or prior year was conducted.

4. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	32,412,328	-	32,412,328	32,412,328	-	32,412,328
Buildings	94,070,370	(13,372,420)	80,697,950	89,018,917	(9,989,787)	79,029,130
Plant and machinery	17,862,138	(6,918,354)	10,943,784	12,298,817	(5,475,553)	6,823,264
Furniture and fixtures	7,397,086	(3,467,275)	3,929,811	6,275,743	(2,552,942)	3,722,801
Motor vehicles	35,819,076	(15,264,775)	20,554,301	28,230,128	(12,034,214)	16,195,914
IT equipment	12,945,518	(7,810,290)	5,135,228	12,181,576	(5,597,782)	6,583,794
Infrastructure - Electricity	56,508,428	(6,923,868)	49,584,560	55,322,082	(5,156,910)	50,165,172
Infrastructure - Roads	133,910,632	(21,406,568)	112,504,064	129,066,748	(15,263,783)	113,802,965
Capital work in progress	79,334,896	-	79,334,896	35,607,373	-	35,607,373
Infrastructure - Waste & Sewerage	10,312,882	(463,986)	9,848,896	7,328,263	(277,975)	7,050,288
Infrastructure - Water	438,300,741	(60,804,523)	377,496,218	411,364,985	(43,410,410)	367,954,575
Heritage	5,613,947	-	5,613,947	5,613,947	-	5,613,947
Total	**924,488,042**	**(136,432,059)**	**788,055,983**	**824,720,907**	**(99,759,356)**	**724,961,551**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Transfers - WIP completed	Other changes, movements	Depreciation	Total
Land	32,412,328	-	-	-	-	32,412,328
Buildings	79,029,130	5,051,453	-	-	(3,382,633)	80,697,950
Plant and machinery	6,823,264	5,563,321	-	-	(1,442,801)	10,943,784
Furniture and fixtures	3,722,801	1,121,342	-	-	(914,332)	3,929,811
Motor vehicles	16,195,914	7,588,948	-	-	(3,230,561)	20,554,301
IT equipment	6,583,794	763,942	-	-	(2,212,508)	5,135,228
Infrastructure - Electricity	50,165,172	1,186,346	-	-	(1,766,958)	49,584,560
Infrastructure - Roads	113,802,965	4,843,884	-	-	(6,142,785)	112,504,064
Capital work in progress	35,607,373	60,672,836	(17,690,776)	745,463	-	79,334,896
Infrastructure - Waste & Sewerage	7,050,288	2,984,619	-	-	(186,011)	9,848,896
Infrastructure - Water	367,954,575	26,935,756	-	-	(17,394,113)	377,496,218
Heritage	5,613,947	-	-	-	-	5,613,947
	724,961,551	**116,712,447**	**(17,690,776)**	**745,463**	**(36,672,702)**	**788,055,983**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Transfers - WIP completed	Depreciation	Total
Land	32,412,328	-	-	-	-	32,412,328
Buildings	75,369,229	6,788,680	-	-	(3,128,779)	79,029,130
Plant and machinery	6,292,202	1,564,440	-	-	(1,033,378)	6,823,264
Furniture and fixtures	3,621,759	743,959	(5,437)	-	(637,480)	3,722,801
Motor vehicles	14,351,563	4,364,502	-	-	(2,520,151)	16,195,914
IT equipment	7,134,323	1,426,666	(10,422)	-	(1,966,773)	6,583,794
Infrastructure - Electricity	51,829,751	80,005	-	-	(1,744,584)	50,165,172
Infrastructure - Roads	118,236,839	1,594,299	-	-	(6,028,173)	113,802,965
Capital work in progress	4,484,064	34,257,444	-	(3,134,135)	-	35,607,373
Infrastructure - Waste & Sewerage	4,330,226	2,831,277	-	-	(111,215)	7,050,288
Infrastructure - Water	344,657,786	38,709,863	-	-	(15,413,074)	367,954,575
Heritage	5,613,947	-	-	-	-	5,613,947
	668,334,017	**92,361,135**	**(15,859)**	**(3,134,135)**	**(32,583,607)**	**724,961,551**

Impairment of assets

There were no indication of assets to be impaired for the current financial period.

Assets subject to finance lease (Net carrying amount)

	2011	2010
IT equipment	4,580,716	5,017,900

Details of properties

The fixed asset register is available for more details on Property, Plant and Equipment.

Figures in Rand	2011	2010

4. Property, plant and equipment (continued)

Heritage assets

The municipality has derecognised the values of Game classified under Heritage assets and considered only the disclosure of the number of Game held by the Municipality.

The municipacility had the following Game for 2011 financial year:

Baboon Troops	3	
Blue Wildebeest	70	
Bushbuck	5	
Buffalo	63	
Crocodile	1	
Duilker	5	
Giraffe	52	
Impala	784	
Kudu	38	
Monkey Troops	1	
Rhino	3	
Steenbuk	1	
Warthog	84	
Zebra	80	

5. Inventories

Consumable stores	551,006	262,690
Water inventory	72,069	19,334
	623,075	**282,024**

6. Other receivables from non-exchange transactions

Deposits paid	540,778	545,449
Sundry Debtors	-	610,575
	540,778	**1,156,024**

7. VAT receivable

VAT	24,533,141	17,587,805

8. Consumer debtors

Gross balances		
Rates	15,480,991	11,944,953
Electricity, Water, Sewerage & Other	21,567,818	21,708,138
Fair value adjustment	(40,742)	(40,742)
	37,008,067	**33,612,349**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

8. Consumer debtors (continued)

Less: Provision for bad debts		
Rates	(4,712,839)	(4,066,972)
Electricity, Water, Sewerage & Other	(6,565,836)	(7,401,910)
	(11,278,675)	**(11,468,882)**
Net balance		
Rates	10,768,152	7,877,981
Electricity, Water, Sewerage & Other	15,001,982	14,306,228
Fair value adjustment	(40,742)	(40,742)
	25,729,392	**22,143,467**
Net Rates		
Current (0 - 30 days)	1,618,338	7,662,347
31 - 60 days	1,105,030	76,047
61 - 90 days	(108,531)	73,158
91+ days	8,153,315	66,429
	10,768,152	**7,877,981**
Net Electricity, Water, Sewerage & Other		
Current (0 - 30 days)	4,062,962	2,071,962
31 - 60 days	1,491,111	1,595,361
61 - 90 days	(107,002)	751,130
91+ days	9,554,911	9,887,775
	15,001,982	**14,306,228**
Fair value adjustment		
Fair value adjustment	(40,742)	(40,742)

Summary of debtors by customer classification

Residential		
Current	2,514,479	2,808,030
31 - 60 days	1,451,915	1,521,730
61 - 90 days	(160,071)	1,328,049
91+ days	6,217,856	12,075,883
	10,024,179	17,733,692
Less: Provision for debt impairment	(3,051,027)	(10,728,186)
	6,973,152	**7,005,506**
Industrial/ commercial		
Current	4,408,423	3,434,850
31 - 60 days	1,265,412	1,180,506
61 - 90 days	(101,219)	894,814
91+ days	8,731,399	4,760,988
	14,304,015	10,271,158
Less: Provision for bad debts	(4,354,535)	(136,422)
	9,949,480	**10,134,736**
National and provincial government		
Current	346,147	514,480

Figures in Rand	2011	2010

8. Consumer debtors (continued)

31 - 60 days	328,562	396,126
61 - 90 days	(717)	411,524
91+ days	3,057,697	2,897,345
	3,731,689	4,219,475
Less: Provision for bad debts	(1,136,029)	(198,285)
	2,595,660	**4,021,190**

Schools, Churches and Handovers		
Current	898,756	58,889
31 - 60 days	822,595	61,568
61 - 90 days	66,384	24,289
91+ days	7,160,350	1,243,276
Less: Provision for bad debts	(2,737,085)	(405,987)
	6,211,000	**982,035**

Total		
Current	8,167,805	6,816,249
31 - 60 days	3,868,484	3,159,930
61 - 90 days	(195,623)	2,658,676
91+ days	25,167,402	20,977,492
	37,008,068	33,612,347
Less: Provision for bad debts	(11,278,676)	(11,468,880)
	25,729,392	**22,143,467**

Provision for bad debts		
Current (0 -30 days)	(2,486,504)	(5,027,666)
31 - 60 days	(1,136,238)	(864,684)
61 - 90 days	94,331	(426,395)
91+ days	(7,750,264)	(5,150,137)
	(11,278,675)	**(11,468,882)**

Reconciliation of bad debt provision		
Balance at beginning of the year	(11,468,882)	(4,437,140)
Contributions to provision	190,207	(7,031,742)
	(11,278,675)	**(11,468,882)**

Fair value of consumer debtors

The fair value of consumer debtors approximates their carrying amounts.

Consumer debtors impaired

As of 30 June 2011, consumer debtors were impaired and provided for.

The amount of the provision was R 11,278,676 as of 30 June 2011 (2010: R 11,468,880).

The ageing of these debtors are as follows:

1 month past due	682,952	694,469
2 and more months past due	10,595,724	10,774,411

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,000	2,000
Bank balances	-	13,217,647
Short-term deposits	5,000,000	35,000,000
Bank overdraft	(8,150,485)	-
	(3,148,485)	**48,219,647**

Current assets	5,002,000	48,219,647
Current liabilities	(8,150,485)	-
	(3,148,485)	**48,219,647**

Additional disclosure:

The municipality has a cession of R5,000,000.00 is respect of ABSA investment.

Short term fixed deposits

Short term fixed deposits consists of :

ABSA - Account 2068718251 Reinvested Dec 2009 Maturing December 2010 - Interest rate 10,40%	5,000,000	5,000,000
ABSA - Account 2068865331 Portion reinvested Aug 2009 Maturing Aug 2010 - Interest rate 6,45%	-	10,000,000
ABSA - Account 2070202325 Investment matures July 2010 - Interest rate 6,60%	-	20,000,000
	5,000,000	**35,000,000**

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2011	Bank statement balances 30 June 2010	Bank statement balances 30 June 2009	Cash book balances 30 June 2011	Cash book balances 30 June 2010	Cash book balances 30 June 2009
ABSA BANK, Malelane branch - Primary Account - Account number 1650 000 087	1,138,220	13,934,350	19,976,697	(13,094,446)	13,105,126	16,124,355
ABSA BANK, Malelane Komatipoort branch - Account number 1650 000 095	-	-	5,846	-	-	5,846
ABSA BANK, Malelane Marloth Park branch - Account number 1650 156 796	-	-	15,559	-	-	16,039
ABSA BANK, Malelane branch - MIG Account - Account number 4077034870	742,687	-	-	4,943,961	-	-
Total	**1,880,907**	**13,934,350**	**19,998,102**	**(8,150,485)**	**13,105,126**	**16,146,240**

10. Intangible assets

	2011 Cost / Valuation	2011 Accumulated amortisation and accumulated impairment	2011 Carrying value	2010 Cost / Valuation	2010 Accumulated amortisation and accumulated impairment	2010 Carrying value
Computer software	194,555	(42,127)	152,428	194,555	(3,243)	191,312

Reconciliation of intangible assets - 2011

	Opening balance	Amortisation	Total
Computer software	191,312	(38,884)	152,428

Reconciliation of intangible assets - 2010

	Opening balance	Amortisation	Total
Computer software	194,555	(3,243)	191,312

11. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2011

	Loans and receivables	Total
Cash and cash equivalents	5,002,000	5,002,000
Other Receivables	540,778	540,778
Trade and other receivables	25,729,392	25,729,392
	31,272,170	**31,272,170**

2010

	Loans and receivables	Total
Cash and cash equivalents	48,219,647	48,219,647
Other receivables	1,156,024	1,156,024
Trade and other receivables	22,143,467	22,143,467
	71,519,138	**71,519,138**

12. Other financial liabilities

	2011	2010
At fair value through surplus or deficit		
Annuity loan - DBSA	4,638,004	5,376,773
These loans from DBSA bear interest bewteen 13,4% and 17,5% per annum are repayable in equal bi-annual repayments. Refer to Appendix A for more detail on borrowings		

Long term borrowings have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that non-current liabilities can be repaid on redemption date.

Above borrowings from external parties were utilised in order to finance Property, Plant and Equipment.

There were no default on principal and interest repayments. None of the terms were renegotiated.

	2011	2010
Non-current liabilities		
Fair value through surplus or deficit	3,263,429	4,533,652
Current liabilities		
Fair value through surplus or deficit	1,374,575	843,121
	4,638,004	**5,376,773**

Refer to Appendix A for more detail on long-term liabilities.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

13. Finance lease obligation

	2011	2010
Minimum lease payments due		
- not later than one year	1,432,717	1,717,719
- later than one year and not later than five years	2,095,928	3,528,645
	3,528,645	5,246,364
Less: future finance charges	(602,075)	(1,131,030)
Present value of minimum lease payments	**2,926,570**	**4,115,334**

	2011	2010
Present value of minimum lease payments due		
- not later than one year	1,063,952	1,188,764
- later than one year and not later than five years	1,862,618	2,926,570
	2,926,570	**4,115,334**

	2011	2010
Non-current liabilities	1,862,618	2,747,939
Current liabilities	1,063,952	1,367,395
	2,926,570	**4,115,334**

It is the municipality's policy to lease certain computer and office equipment under finance leases.

The average lease term was 3 - 5 years and the effective borrowing rate was 12% (2010: 12%).

Interest rates on some contracts are fixed while others are linked to prime at the contract date. Some leases have fixed repayments while others escalate between 7.5% and 15% per annum.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

Defaults and breaches

There were no default on principal and interest repayments. None of the terms and conditions were renegotiated.

14. Operating lease asset (accrual)

	2011	2010
Current assets	10,650	-
Non-current liabilities	(229,281)	(256,369)
Current liabilities	(178,909)	(51,342)
	(397,540)	**(307,711)**

15. Trade and other payables

	2011	2010
Trade payables	32,992,266	37,624,757
Unallocated deposits received	-	4,894,905
Payments received in advance - consumer debtors	-	3,220,735
Salary control and unallocated refunds	-	1,173,360
Salary suspense accounts	5,159,395	-
Deposits received - Halls and sidewalks	2,307,826	2,306,228
Accrued interest payable on external borrowings	167,742	177,374
	40,627,229	**49,397,359**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2011	2010
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	16,975,435	-
Electrification Grant	-	968,500
Water Services Operating and Subsidy Grant	-	3,565,000
	16,975,435	**4,533,500**

Movement during the year

	2011	2010
Balance at the beginning of the year	4,533,500	24,934,112
Current-year receipts	305,675,098	257,493,991
Conditions met - transferred to revenue	(293,233,163)	(277,894,603)
	16,975,435	**4,533,500**

The municipality has complied with all the conditions set by the transferring organ of State or the conditions set by the other institutions who made allocations to the municipality. The unspent portion of conditional allocations are disclosed as unspent conditional grants on the face value of the Statement of Financial Position of the municipality.

17. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Reversed during the year	Total
Landfill Site Provision	-	1,919,300	-	1,919,300
Audit Fees Provision	-	1,256,335	-	1,256,335
Annual Bonus Provision	3,776,141	10,181,576	(3,776,141)	10,181,576
Performance Bonus Provision	206,393	108,447	(206,393)	108,447
Accumulated Leave Provision	9,316,761	1,875,687	-	11,192,448
Long Service Award Provision	361,009	966,880	(361,009)	966,880
	13,660,304	**16,308,225**	**(4,343,543)**	**25,624,986**

Reconciliation of provisions - 2010

	Opening Balance	Additions	Reversed during the year	Total
Annual Bonus Provision	2,873,350	3,776,141	(2,873,350)	3,776,141
Performance Bonus Provision	284,628	-	(78,235)	206,393
Accumulated Leave Provision	7,409,858	1,906,903	-	9,316,761
Long Service Award Provision	68,462	292,547	-	361,009
	10,636,298	**5,975,591**	**(2,951,585)**	**13,660,304**

Long service awards to eligible employees are paid for services rendered by employees of 10 years and longer in five year intervals. These employees are awarded proportionally every five years based on 10 days's basic salary for 10 years service.

Performance bonusses are paid in arrears as the assessment of elegible employees had not taken place at the reporting date and no present obligation exist.

The municipality has provided R1,919,300.00 for the rehabilitation of Steenbok landfill site for the 2011 financial year. This cost of rehabilitating the landfill site was provided by SKC Masakhizwe Engineers (Pty) Ltd. The estimated useful life of the landfill site is expected to be 20 years.

18. Employee benefit obligations

Retirement benefits

Personnel and Councillors are members of the following funds:
Joint Municipal Pension Fund (JMPF)
Municipal Gratuity Fund (MGF)
Municipal Employees Pension Fund (MEPF)
Municipal Councillors Pension Fund (MCPF)
Government Employees Pension Fund
National Fund for Municipal Workers (NFMW)
Valuations

Last known actuarial valuations is as follows:	Actuarial	Interim	Level
The Municipal Gratuity Fund is a defined benefit governed under the Pension Fund Act of 1956. The most recent actuarial valuation indicated that the fund was financially sound.	30-Jun-02	30-Jun-04	Fully Funded
The NFMW is a fixed contribution fund and there is no statutory requirement to do an actuarial valuation	30-Jun-04	30-Jun-05	Fully Funded
The MEPF is a fixed contribution fund.	28-Feb-02	28-Feb-05	Fully Funded

All Councillors and employees belong to the 5 defined benefit retirement funds administered by the Provincial Pension Fund as disclosed above. These funds are subject to a triennial actuarial valuation.

An amount of R28,424,640 (2010: R21,940,064) was contributed by Council in respect of Councillor and employees retirement funding. These contributions have been expensed.

Defined benefit plan

The Municipal Employees Gratuity Fund is a defined benefit plan. This is not treated as defined benefit plan as defined by IAS19, but is accounted for as a defined contribution plan. This is in line with the exemption in IAS19 paragraph 30 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The defined benefit funds are administered on a provincial basis, but the specific actuarial information in respect of individual particpating municipalities is unavailable due to centralised administration thereof. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

Figures in Rand	2011	2010

19. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2011

	Financial liabilities at amortised cost	Total
Other financial liabilities	4,638,004	4,638,004
Trade and other payables	40,627,229	40,627,229
Bank overdraft	8,150,485	8,150,485
	53,415,718	**53,415,718**

2010

	Financial liabilities at amortised cost	Total
Other financial liabilities	5,376,773	5,376,773
Trade and other payables	49,397,358	49,397,358
	54,774,131	**54,774,131**

20. Revenue

	2011	2010
Property rates	29,014,752	35,453,448
Service charges	55,926,651	45,154,589
Rental of facilities & equipment	3,420,226	540,790
Licences and permits	4,608,505	7,479,807
Government grants & subsidies	293,233,162	283,058,205
	386,203,296	**371,686,839**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	55,926,651	45,154,589
Rental of facilities & equipment	3,420,226	540,790
Licences and permits	4,608,505	7,479,807
	63,955,382	**53,175,186**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	29,014,752	35,453,448
Government grants & subsidies	293,233,162	283,058,205
	322,247,914	**318,511,653**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

21. Property rates

Rates received

Residential	37,461,090	49,723,027
Business	2,274,254	3,165,882
Government	2,065,241	2,874,924
Less: Income forgone	(12,785,833)	(20,310,385)
	29,014,752	**35,453,448**

Rates are levied on annual basis and repayable in twelve equal payments with the final date of payment being the municipality 's year end. Interest at 10,5% per annum (2010: 10,5%) is levied on outstanding rates.

	In cents	
Assessment rates are levied as follows		
Unimproved Residential Stands	3	3
Improved Residential Stands	7	7
Business	15	14
Agricultural	4	3
State Owned	11	10
PSI	4	3
	44	**40**

Rebates are granted to pensioners, permanent disables persons, consolidated and notarial tide accounts as follow in %:		
Consolidated or Notarial tide	-	-
- 2 stands	20	20
- 3 stands	30	30
- 4 stands or more	40	40
Pensioners or Permanent medically disabled	-	-
- income less than R1,200 per month	40	40
- income more than R1,200 less than R2,000 per month	20	20
	150	**150**

Valuations

Residential	2,741,641,945	172,036,881
Business	1,498,167,513	81,478,500
Government	521,085,651	340,700
Municipal	1,414,627	12,433,200
Provincial	1,384,000	-
Schools	12,810,004	-
Educational	1,281,004	-
Supplementary values	-	6,547,400
Agriculture	665,314,991	-
Other - Unimproved and industrial	260,526,853	75,992,500
	5,703,626,588	**348,829,181**

Assessment rates are charged on the valuation roll done before demarcation.
Valuations on land are perfromed every three years and the last general valuation came into effect on the following dates:
- Supplementary valuations 1 May 2011
- General valuations 1 July 2009

The municipality is currently performing a supplementary valuation roll which commenced on 1 May 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

21. Property rates (continued)

The entity performed the general valuations on 1 July 2009 for the year ending 2009/2010 in all areas of Nkomazi Municipality.
Distribution losses of 2,414,326 KWh(2010: 58,763.672 kWh) with the caluclated value of R10,935,754.(2010: R1,465,037) were suffered. These represent 42.3% (2010:11%) of electricity purchased during the same period.

22. Service charges

	2011	2010
Sale of electricity	33,476,859	30,292,122
Sale of water	17,552,945	9,118,520
Sewerage and sanitation charges	3,948,487	2,400,703
Refuse removal	948,360	3,343,244
	55,926,651	**45,154,589**

23. Rental of facilities and equipment

	2011	2010
Facilities and equipment		
Rental of facilities	3,386,509	526,581
Rental of equipment	33,717	14,209
	3,420,226	**540,790**

24. Investment revenue

	2011	2010
Interest revenue		
Bank	4,011,543	8,957,321

Figures in Rand	2011	2010

25. Government grants and subsidies

Equitable share	196,588,097	157,899,135
Municipal Infrastructure Grant	74,506,565	83,461,559
Water Services Operating and Subsidy Grant	14,920,000	20,476,000
Electrification Grants	5,468,500	14,792,012
Project Management Unit	-	3,129,321
Financial Management Grant	1,000,000	1,494,216
Municipal Systems Improvement Grant	750,000	735,000
Sanitation Project	-	1,070,962
	293,233,162	**283,058,205**

Equitable Share

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	15,810,921
Current-year receipts	91,482,000	70,779,959
Conditions met - transferred to revenue	(74,506,565)	(62,655,271)
Prior period error - Conditions met	-	(23,935,609)
	16,975,435	**-**

The grant is intended to provide capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure and to eradicate the bucket sanitation system mainly in urban townships.

Financial Management Grant

Balance unspent at beginning of year	-	744,217
Current year - receipts	1,000,000	750,000
Conditions met - transferred to revenue	(1,000,000)	(758,734)
Prior period error - Conditions met	-	(735,483)
	-	**-**

This grant is intended to promote and support reforms in financial mangement by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Sanitation Project

Balance unspent at beginning of year	-	1,070,962
Conditions met - transferred to revenue	-	(177,840)
Prior period error - Conditions met	-	(893,122)
	-	**-**

Electrification Grant

Balance unspent at beginning of year	968,500	2,312,012
Current-year receipts	4,500,000	13,448,500
Conditions met - transferred to revenue	(5,468,500)	(14,792,012)
	-	**968,500**

Figures in Rand	2011	2010

25. Government grants and subsidies (continued)

Water Services Operating and Subsidy Grant

Balance unspent at beginning of year	3,565,000	4,996,000
Current-year receipts	11,355,000	19,045,000
Conditions met - transferred to revenue	(14,920,000)	(20,476,000)
	-	**3,565,000**

Municipal System Improvement Grant

Balance unspent at beginning of year	-	735,000
Current-year receipts	750,000	(735,000)
Conditions met - transferred to revenue	(750,000)	-
	-	**-**

This grant is intended to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Systems Act and related legislation and policies.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26. Other revenue

Recovery	630,693	1,108,153
Other income	7,514,610	2,604,566
	8,145,303	**3,712,719**

27. Other income

Building Plan Fees	430,969	216,906
Entrance Fees	915,520	1,095,801
Legal Fees Recovered	751	600
Library Fees	552,589	373,185
Public Drivers Permit	1,329,616	-
Roadworthy Certificate	1,024,891	-
Sale of Game	115,789	-
Sundry	2,661,094	918,074
Search Fees	229,342	-
Seta Training Refund	112,103	-
Tender documents	141,946	-
	7,514,610	**2,604,566**

Figures in Rand	2011	2010

28. Employee related costs

Salaries and wages	106,192,533	55,491,551
Medical aid, UIF and pension fund contributions	19,216,567	19,053,957
Bonus	13,674,890	4,550,729
Overtime payments	10,590,090	12,566,180
Allowances	5,760,285	-
Housing benefits and allowances	3,066,918	1,088,422
SDL	1,574,952	956,043
Other employee related costs	31,976	27,006,279
Temporary employees	12,487	-
Subsistence and transport	6,561,446	5,269,357
	166,682,144	**125,982,518**

Remuneration of acting municipal manager

Annual Remuneration	-	650,458
Car and other allowances	-	125,400
Contributions to UIF, Medical and Pension Funds	-	79,263
Acting allowance	174,419	-
	174,419	**855,121**

Remuneration of chief finance officer

Annual Remuneration	651,703	659,689
Car and other allowances	118,394	120,196
Contributions to UIF, Medical and Pension Funds	131,838	133,435
	901,935	**913,320**

Technical services

Annual Remuneration	133,474	502,874
Car and other allowances	23,390	133,090
Contributions to UIF, Medical and Pension Funds	21,723	122,120
	178,587	**758,084**

Community services

Annual Remuneration	539,381	536,950
Car and other allowances	123,963	110,917
Contributions to UIF, Medical and Pension Funds	109,423	108,932
	772,767	**756,799**

Planning and development

Annual Remuneration	546,077	535,662
Car and other allowances	64,427	62,272
Contributions to UIF, Medical and Pension Funds	137,910	132,106
	748,414	**730,040**

Figures in Rand	2011	2010

29. Remuneration of councillors

Executive Mayor	577,938	593,040
Speaker	485,183	477,638
Mayoral Committee Members	2,292,822	2,689,533
Councillors	6,600,008	5,765,873
Councillors' pension and other contributions	1,011,595	956,045
Councillors' Allowances	3,139,706	2,780,301
	14,107,252	**13,262,430**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time.
Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties and has a full bodyguard.

The Exceutive Mayor has access to a budget of R110,000 (2010: R100,000) per annum to be utilized as she deems fit.

30. Depreciation and amortisation

Property, plant and equipment	36,672,701	32,583,607
Intangible assets	38,884	3,243
	36,711,585	**32,586,850**

31. Finance costs

Finance leases	528,954	473,921
Other interest paid	2,580,233	986,760
	3,109,187	**1,460,681**

32. Provision bad debts

Provision bad debts	-	8,424,455

33. Contracted services

Services rendered - FMS Support Services	3,921,781	-
Security	297,565	-
	4,219,346	**-**

34. Bulk purchases

Electricity	42,645,469	40,103,284
Water	583,828	978,836
	43,229,297	**41,082,120**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

35. General expenses

Advertising	804,101	948,469
Auditors remuneration	3,875,696	1,562,068
Bank charges	470,909	335,143
Bursaries	99,946	79,277
Cleaning Material	71,027	116,199
Conferences	312,700	365,976
Consulting and professional fees	13,106,955	11,627,081
Consumables	7,337,008	3,946,050
Disaster Management	480,335	341,112
EAP Programme	1,919,300	-
Entertainment	241,399	509,635
Free basic services	-	52,000
Fuel and Oil	8,496,738	5,156,762
Goods and services	-	37,709,349
IT systems	2,784,460	4,991,201
Insurance	1,838,860	1,376,175
License fees	23,158	10,598
Mayoral outreach	247,406	249,737
Membership Fees	1,037,773	293,417
Municipal services	3,529,812	5,342,208
Networks and substations	879,846	1,313,422
New Connections	2,483,395	2,362,828
Other expenses	233,992	1,382,612
Pest control	24,539	50,050
Postage and courier	255,510	498,096
Printing and stationery	703,408	1,035,253
Projects	15,139,228	2,230,277
Public Permits Staff	69,956	-
Refuse bags and holders	160,364	185,289
Rental of property and equipment	7,097,975	6,843,942
Research and development costs	-	8,247
Security	6,804,196	5,231,409
Sport Events	383,324	-
Supplementary valuation roll	166,104	-
System development and support	188,781	-
Telephone and fax	3,487,652	3,066,709
Title deed search fees	17,174	-
Tollgate Fees	157,243	-
Town Planning	296,431	1,298,936
Traditional council	-	150,000
Training	1,005,473	1,276,535
Transveral unit	360,360	542,832
Travel - Local	1,580,368	1,800,793
Uniforms	1,996,768	1,221,108
Ward Committees	22,014	73,000
Water Quality Monitoring	3,519,394	-
	93,711,078	**105,583,795**

36. Auditors' remuneration

Fees	3,875,696	1,562,068

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

37. Cash generated from operations

Surplus (deficit)	8,145,701	(3,034,059)
Adjustments for:		
Depreciation and amortisation	36,711,585	32,586,850
Loss on sale of assets and liabilities	-	(255,247)
Finance costs - Finance leases	528,954	473,921
Bad debt provision	-	8,424,455
Movements in operating lease assets and accruals	89,829	61,436
Movements in provisions	11,964,682	5,897,356
Non cash movements made to PPE	16,945,313	3,439,370
Changes in working capital:		
Inventories	(341,051)	(107,410)
Trade and other receivables from exchange transactions	-	(4,104,825)
Other receivables	615,246	565,776
Consumer debtors	(3,585,925)	(8,424,455)
Trade and other payables	(8,770,135)	26,577,350
VAT	(6,945,336)	(981,407)
Unspent conditional grants and receipts	12,441,935	(20,400,612)
	67,800,798	**40,718,499**

38. Capital Commitments

Authorised capital expenditure

Approved and already contracted for but not provided for		
• Property, plant and equipment	-	2,655,914
• Infrastructure	106,429,709	96,288,483
	106,429,709	**98,944,397**

Approved by accounting officer not yet contracted for		
• Infrastructure	-	3,000,000

This committed expenditure relates mainly to infrastructure development and will be financed by available government and other grants, bank facilities, and retained surpluses.

Funding sources

This expenditure will be financed from:		
- Government and Other Grants	106,429,709	101,944,397

Operating leases - as lessee (expense)

Minimum lease payments due		
- not later than one year	1,965,161	1,328,103
- later than one year and not later than five years	1,308,024	1,680,540
	3,273,185	**3,008,643**

Operating lease payments represent rentals payable by the municipality for certain of its properties. Leases are negotiated for an average term of three years to five years and rentals escalated by 10% per annum. No contingent rent is payable.

39. Contingencies

Contingent liabilities

SM Shabangu - challenge againts alleged unfair dismissal and anticipated costs claim of R2,900,000.00

BI Qwabe - challenge againts alleged unfair dismissal and anticipated costs claim of R300,000.00

SM Shabangu - Claim for recovery of unauthorised expenditure amounting to R3,248,996.39

Claim from Silinda Mokoena & Associates (Valuer) case no 64255/09 claims R1,264,063 for work done on the valuation roll for the municipality and the municipality lodged a counter claim of R10,794,701.27 against the Valuer because the valuation roll is incorrect and the Valuer failed to make corrections as requested by the municipality. The municipality lodged its claim because it is losing possible revenue due to the incorrectness of the valuation roll.

40. Related parties

Relationships	
Business entities of municipal employees	Bilani Security (P Shongwe)
Post employment benefit plan for employees of municipality	Refer to Note on Employee Retirement Benefit Plans
Remuneration of key management personnel	Refer to note on compensation to Municipal Manager, Chief Financial Officer, Executive Directors, Mayoral Committee and Other Councillors

Councillors, the Municipal Manager and section 57 personnel reporting to the Municipal Manager are considered related parties in light of their control over the municipality as Councillors and their management position in terms of positions held in the municipality. No inter-party business transactions took place between the Ventersdorp Local Municipality and these persons and their close family members for the year under review. Details relating to their remuneration are disclosed in the notes above. Normal consumer services rendered to the public have also been rendered to the mentioned parties at approved tariffs that were advertised to the public.

As an organ of state, the municipality render normal consumer services to other organs of state like Public Works, SAPS etc.

Related party transactions

Purchases from (sales to) related parties	2011	2010
Bilani Security	1,420,464	1,551,839
Mbedvula Trust	-	(14,279)
Nkomazi Business Networks	-	7,906,738
Department of finance	-	(48,040)
Department of heath	(426,909)	(3,836)
Department of public works	-	(132,451)
Department of Roads and Transport	(50,246)	(22,094)
South African Post Office	-	(1,997)
Transnet	-	(698,555)

41. Prior period errors

Certain balances of property, plant and equipment have been changed as a result of classification errors, assets procured in incorrect accounting period and fair valuation of assets initially recognised at zero value.

Unspent grants were transferred to revenue as they were incorreclty classified.

Finance leases liability was incorrectly calculated and the prior balance was adjusted.

Intangible assets were incorreclty derecognised.

The correction of the error(s) results in adjustments as follows:

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

41. Prior period errors (continued)

Statement of financial position

Unspent Water Service Operating and Subsidy Grant	-	(4,996,000)
Accumulated Surplus	(27,921,043)	4,996,000
Finance leases	163,112	163,112
Unspent Grants	25,564,215	25,564,215
Intangible assets - Accum depreciation	(3,243)	(3,243)
Intangible assets - cost	194,555	194,555
Accumulated surplus	-	(194,555)
Property, plant & equipment - cost	3,147,265	3,147,265
Property, plant & equipment - Accum depreciation	(1,144,861)	(1,144,861)
Accumulated surplus	-	(2,002,404)

Statement of Financial Performance

Finance charges	-	(163,112)
Grants	-	(25,564,215)
Amortisation	-	3,243
Depreciation	-	447

42. Comparative figures

The values of Game held by the municipality has been derecognised as it was impractical to fair value them.

Statement of financial position

	-	-
Heritage asset	-	(12,105,777)
Accumulated surplus	-	12,105,777

43. Risk management

Liquidity risk

Nkomazi Local Municipality does not adequately manage its liquidity risk. The risk is explained or highlighted in the accounting policy note.

Interest rate risk

Nkomazi Local Municipality is not exposed to interest rate risk on its financial liabilities. All the Municipalities interest bearing external loan liabilities, as detailed in Appendix A, are fixed interest rates.

Credit risk

Credit Risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks. Credit Risk related to consumer debtors is managed in accordance with the Councils credit control and debt collection policy. The Council's credit exposure is spread over a large number and wide variety of consumers, and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts.

44. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

45. Unauthorised expenditure

Unauthorised expenditure	89,394,146	27,153,299
Condoned by Council	(40,607,771)	(27,153,299)
Overspending on operating expenses	-	88,319,786
DWAF Goods and Services	-	2,937,665
DWAF Water Supply O & M	-	7,233,457
Legal cost	-	2,485,389
Supply Lines, Pumps, Motors-West	-	335,067
	48,786,375	**101,311,364**

The unauthorised expenditure of R48,786,375 will be sent to council to be condoned.

46. Fruitless and wasteful expenditure

Salary	-	82,600
SARS penalty	-	6,145
	-	**88,745**

Late implementation of recommendation to dismiss AJ LUbbe. Matter was concluded in February 2010 but dismissal was onli implimented in June 2010. During the months of March to May 2010 he was paid his salary totalling R82,600 which constitutes fruitless and wasteful expenditure.

47. Irregular expenditure

Salary overpayments - deceased employees	-	34,552
Rent paid to TSB	-	250,724
Bulk purchases - Bay City Trading 337 CC	-	2,674,324
Bulk purchases - Vickson Trading	-	534,162
Bulk purchases - Sammy's Promotion & Projects	-	562,268
Bulk purchases - Boyabenuatsi	-	341,420
Bulk purchases - Banie's Engineering and Construction	-	1,540,800
Other irregular expenditure	10,504,248	6,844,511
Irregular expenditure approved by council	(10,129,823)	5,643,123
	374,425	**18,425,884**

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	(1,650)	(1,650)
Current year membership fee	85,389	66,254
Amount paid - current year	(85,389)	(66,254)
Due and payable	**(1,650)**	**(1,650)**

Audit fees

Opening balance	(2,850)	-
Current year fee	1,556,335	1,562,068
Amount paid - current year	(297,150)	(1,564,918)
Due and payable	**1,256,335**	**(2,850)**

Figures in Rand	2011	2010

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Opening balance	141,364	49,547
Current year deductions and contributions	17,821,087	13,345,429
Amount paid - current year	(17,714,825)	(13,253,612)
	247,626	**141,364**

Pension and Medical Aid Deductions

Opening balance	57,839	(333)
Current year deductions and contributions	37,134,790	28,878,761
Amount paid - current year	(37,103,750)	(28,820,589)
	88,879	**57,839**

Councillors' arrear consumer accounts

There are no Councillors that had arrear accounts outstanding for more than 30 days at 30 June 2011:

30 June 2010		Outstanding more than 30 days R	Total R
Councillor Mkhumbane & S & TC	-	3,399	3,399

Notes to the Annual Financial Statements

Figures in Rand

49. Statement of comparative and actual information

2011

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates	37,663,280	-	37,663,280	29,014,752	8,648,528	77 %	77 %
Service charges	50,548,390	-	50,548,390	55,926,651	(5,378,261)	111 %	111 %
Investment revenue	6,606,250	-	6,606,250	4,011,543	2,594,707	61 %	61 %
Transfers recognised - operational	215,929,424	-	215,929,424	293,233,162	(77,303,738)	136 %	136 %
Other own revenue	29,771,779	-	29,771,779	16,174,034	13,597,745	54 %	54 %
Total revenue (excluding capital transfers and contributions)	**340,519,123**	**-**	**340,519,123**	**398,360,142**	**(57,841,019)**	**117 %**	**117 %**
Employee costs	(166,053,519)	-	(166,053,519)	(169,458,266)	3,404,747	102 %	102 %
Remuneration of councillors	(15,133,027)	-	(15,133,027)	(14,107,252)	(1,025,775)	93 %	93 %
Depreciation and asset impairment	-	-	-	(36,711,585)	36,711,585	DIV/0 %	DIV/0 %
Finance charges	(9,939,253)	-	(9,939,253)	(3,109,187)	(6,830,066)	31 %	31 %
Materials and bulk purchases	(46,294,700)	-	(46,294,700)	(43,229,297)	(3,065,403)	93 %	93 %
Other expenditure	(108,832,626)	-	(108,832,626)	(123,598,854)	14,766,228	114 %	114 %
Total expenditure	**(346,253,125)**	**-**	**(346,253,125)**	**(390,214,441)**	**43,961,316**	**113 %**	**113 %**
Surplus/(Deficit) for the year	**(5,734,002)**	**-**	**(5,734,002)**	**8,145,701**	**(13,879,703)**	**(142)%**	**(142)%**

Notes to the Annual Financial Statements

Figures in Rand

49. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources							
Total capital expenditure	176,720,176	-	176,720,176	56,039,612	120,680,564	32 %	32 %
Cash flows							
Net cash from (used) operating	201,634,000	-	201,634,000	67,800,798	133,833,202	34 %	34 %
Net cash from (used) investing	(73,847,000)	-	(73,847,000)	(116,712,447)	42,865,447	158 %	158 %
Net cash from (used) financing	(1,249,000)	-	(1,249,000)	(2,456,483)	1,207,483	197 %	197 %
Net increase/(decrease) in cash and cash equivalents	**126,538,000**	**-**	**126,538,000**	**(51,368,132)**	**177,906,132**	**(41)%**	**(41)%**
Cash and cash equivalents at the beginning of the year	48,219,647	-	48,219,647	48,219,647	-	100 %	100 %
Cash and cash equivalents at year end	**174,757,647**	**-**	**174,757,647**	**(3,148,485)**	**177,906,132**	**(2)%**	**(2)%**

Detailed Income statement

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	21	29,014,752	35,453,448
Service charges	22	55,926,651	45,154,589
Rental of facilities and equipment		3,420,226	540,790
Licences and permits		4,608,505	7,479,807
Government grants & subsidies	25	293,233,162	283,058,205
Recoveries		630,693	1,108,153
Other income	27	7,514,610	2,604,566
Interest received - investment	24	4,011,543	8,957,321
Total Revenue		**398,360,142**	**384,356,879**
Expenditure			
Personnel	28	(169,458,266)	(130,909,202)
Remuneration of councillors	29	(14,107,252)	(13,262,430)
Depreciation and amortisation	30	(36,711,585)	(32,586,850)
Finance costs	31	(3,109,187)	(1,460,681)
Provision - bad debts	32	-	(8,424,455)
Repairs and maintenance		(25,668,430)	(54,336,652)
Bulk purchases	34	(43,229,297)	(41,082,120)
Contracted services	33	(4,219,346)	-
General expenses	35	(93,711,078)	(105,583,795)
Total Expenditure		**(390,214,441)**	**(387,646,185)**
Gain on disposal of assets and liabilities		-	255,247
Surplus (Deficit) for the period / year		**8,145,701**	**(3,034,059)**

Nkomazi Local Municipality
Appendix A
June 2011

Schedule of external loans as at 31 January 2011

	Loan Number	Redeemable	Balance at 30 June 2010 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2011 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
Loan @ 15.26% (Electricity)	61002240	2011	38,137	-	24,482	13,655	-	-
Loan @ 15.8% (Electricity)	61002607	2010	73,342	-	73,342	-	-	-
Loan @ 15.8% (Roads)	61002608	2010	27,299	-	27,299	-	-	-
Loan @ 15.8% (Registration Authority)	61002609	2010	36,671	-	36,671	-	-	-
Loan @ 15.26% (Purchase of farm, Lionspruit)	61002394	2012	853,851	-	304,645	549,206	-	-
Loan @ 16.5% (Upgrading of Malelane Infrastructure)	61003108	2019	4,309,642	-	234,499	4,075,143	-	-
Loan @ 0% (LEDC Water)	LEDC	2009	37,831	-	37,831	-	-	-
			5,376,773	**-**	**738,769**	**4,638,004**	**-**	**-**
INCA loan								
Lease liability								
Total external loans								
Development Bank of South Africa			5,376,773	-	738,769	4,638,004	-	-
			5,376,773	**-**	**738,769**	**4,638,004**	**-**	**-**

Nkomazi Local Municipality

Appendix B
June 2011

Analysis of property, plant and equipment as at 30 June 2011

	Cost						Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Disposals Rand	Net movement Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Net movement Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings												
Land - Undeveloped	7,563,134	-	-	-	-	**7,563,134**	-	-	-	-	**-**	7,563,134
Land - Developed	24,849,194	-	-	-	-	**24,849,194**	-	-	-	-	**-**	24,849,194
Buildings - Residential	11,700,755	1,053,014	-	-	-	**12,753,769**	(1,711,221)	-	-	(513,508)	**(2,224,729)**	10,529,040
Buildings - Operational	77,318,162	3,998,439	-	-	-	**81,316,601**	(8,278,562)	-	-	(2,869,125)	**(11,147,687)**	70,168,914
Work in progress	-	3,657,897	-	-	-	**3,657,897**	-	-	-	-	**-**	3,657,897
	121,431,245	**8,709,350**	**-**	**-**	**-**	**130,140,595**	**(9,989,783)**	**-**	**-**	**(3,382,633)**	**(13,372,416)**	**116,768,179**
Infrastructure												
Main: Roads and stormwater	129,066,748	4,843,884	-	-	-	**133,910,632**	(15,263,774)	-	-	(6,142,785)	**(21,406,559)**	112,504,073
Sewerage mains & purification	4,865,645	1,028,597	-	-	-	**5,894,242**	(249,817)	-	-	(106,953)	**(356,770)**	5,537,472
Main: Electricity	55,322,082	1,186,346	-	-	-	**56,508,428**	(5,156,908)	-	-	(1,766,959)	**(6,923,867)**	49,584,561
Main: Water and purification	411,364,985	26,935,756	-	-	-	**438,300,741**	(43,410,410)	-	-	(17,394,113)	**(60,804,523)**	377,496,218
Solid waste	2,462,617	1,956,022	-	-	-	**4,418,639**	(28,174)	-	-	(79,057)	**(107,231)**	4,311,408
Work in progress	35,607,373	57,014,939	-	(16,945,313)	-	**75,676,999**	-	-	-	-	**-**	75,676,999
	638,689,450	**92,965,544**	**-**	**(16,945,313)**	**-**	**714,709,681**	**(64,109,083)**	**-**	**-**	**(25,489,867)**	**(89,598,950)**	**625,110,731**
Other Assets												
Furniture and office equipment	6,275,742	1,121,343	-	-	-	**7,397,085**	(2,552,942)	-	-	(914,332)	**(3,467,274)**	3,929,811
Machinery and equipment	12,298,817	5,563,321	-	-	-	**17,862,138**	(5,475,553)	-	-	(1,442,801)	**(6,918,354)**	10,943,784
Computer equipment	12,181,576	763,942	-	-	-	**12,945,518**	(5,597,782)	-	-	(2,212,508)	**(7,810,290)**	5,135,228
Transport assets	28,230,128	7,588,948	-	-	-	**35,819,076**	(12,034,213)	-	-	(3,230,561)	**(15,264,774)**	20,554,302
	58,986,263	**15,037,554**	**-**	**-**	**-**	**74,023,817**	**(25,660,490)**	**-**	**-**	**(7,800,202)**	**(33,460,692)**	**40,563,125**

Nkomazi Local Municipality

Appendix B
June 2011

Analysis of property, plant and equipment as at 30 June 2011

	Cost						Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Disposals Rand	Net movement Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Net movement Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Heritage assets												
Historical Assets	5,613,947	-	-	-	-	**5,613,947**	-	-	-	-	**-**	5,613,947
	5,613,947	**-**	**-**	**-**	**-**	**5,613,947**	**-**	**-**	**-**	**-**	**-**	**5,613,947**
Investment Property												
Investment property	8,167,900	-	-	-	-	**8,167,900**	-	-	-	-	**-**	8,167,900
	8,167,900	**-**	**-**	**-**	**-**	**8,167,900**	**-**	**-**	**-**	**-**	**-**	**8,167,900**
Intangible Assets												
Computer software	194,555	-	-	-	-	**194,555**	(3,243)	-	-	(38,884)	**(42,127)**	152,428
	194,555	**-**	**-**	**-**	**-**	**194,555**	**(3,243)**	**-**	**-**	**(38,884)**	**(42,127)**	**152,428**
Total property plant and equipment	**833,083,360**	**116,712,448**	**-**	**(16,945,313)**	**-**	**932,850,495**	**(99,762,599)**	**-**	**-**	**(36,711,586)**	**(136,474,185)**	**796,376,310**
Investment properties												
Total												
Land and buildings	121,431,245	8,709,350	-	-	-	**130,140,595**	(9,989,783)	-	-	(3,382,633)	**(13,372,416)**	116,768,179
Infrastructure	638,689,450	92,965,544	-	(16,945,313)	-	**714,709,681**	(64,109,083)	-	-	(25,489,867)	**(89,598,950)**	625,110,731
Other Assets	58,986,263	15,037,554	-	-	-	**74,023,817**	(25,660,490)	-	-	(7,800,202)	**(33,460,692)**	40,563,125
Heritage assets	5,613,947	-	-	-	-	**5,613,947**	-	-	-	-	**-**	5,613,947
Investment Property	8,167,900	-	-	-	-	**8,167,900**	-	-	-	-	**-**	8,167,900
Intangible Assets	194,555	-	-	-	-	**194,555**	(3,243)	-	-	(38,884)	**(42,127)**	152,428
	833,083,360	**116,712,448**	**-**	**(16,945,313)**	**-**	**932,850,495**	**(99,765,842)**	**-**	**-**	**(36,711,586)**	**(136,477,428)**	**796,373,067**

Nkomazi Local Municipality
Appendix C
June 2011

Segmental analysis of property, plant and equipment as at 30 June 2011

	Cost			Accumulated Depreciation			
	Opening Balance Rand	Additions Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Municipality							
Executive & Council/Mayor and Council	1,713,323	362,083	**2,075,406**	(861,718)	(317,093)	**(1,178,811)**	896,595
Budget & Treasury Office	30,755,096	235,939	**30,991,035**	(1,698,645)	(625,063)	**(2,323,708)**	28,667,327
Corporate Services	52,935,223	1,080,747	**54,015,970**	(8,306,061)	(3,056,444)	**(11,362,505)**	42,653,465
Community & Social Services	108,637,507	2,512,425	**111,149,932**	(19,604,068)	(7,213,856)	**(26,817,924)**	84,332,008
Planning & Development	555,951	1,484,990	**2,040,941**	(178,640)	(65,735)	**(244,375)**	1,796,566
Civil Administration & PMU	2,250,340	5,035,023	**7,285,363**	(661,450)	(243,399)	**(904,849)**	6,380,514
Waste Water Management/Sewerage	4,324,901	10,834,739	**15,159,640**	(213,368)	(78,515)	**(291,883)**	14,867,757
Water/Water Distribution	435,706,119	34,328,219	**470,034,338**	(44,644,323)	(5,976,600)	**(50,620,923)**	419,413,415
Electricity /Electricity Distribution	59,756,844	25,844,941	**85,601,785**	(7,352,572)	(16,428,107)	**(23,780,679)**	61,821,106
Roads transport/Roads	136,448,056	34,993,342	**171,441,398**	(16,241,754)	(2,706,774)	**(18,948,528)**	152,492,870
	833,083,360	**116,712,448**	**949,795,808**	**(99,762,599)**	**(36,711,586)**	**(136,474,185)**	**813,321,623**
Total							
Municipality	833,083,360	116,712,448	**949,795,808**	(99,762,599)	(36,711,586)	**(136,474,185)**	813,321,623
	833,083,360	**116,712,448**	**949,795,808**	**(99,762,599)**	**(36,711,586)**	**(136,474,185)**	**813,321,623**

Nkomazi Local Municipality
Appendix D
June 2011

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
-	-	-	Executive & Council/Mayor and Council	495,255	23,949,188	(23,453,933)
-	-	-	Budget & Treasury Office	128,463,825	63,699,962	64,763,863
-	-	-	Corporate Services	3,814,865	39,039,094	(35,224,229)
-	-	-	Community & Social Services	25,397,432	70,905,934	(45,508,502)
-	-	-	Planning & Development	258,016	3,526,730	(3,268,714)
-	-	-	Civil Administration & PMU	3,270,368	14,197,342	(10,926,974)
-	-	-	Waste Water Management/Sewerage	4,044,783	11,196,266	(7,151,483)
-	-	-	Road Transport/Roads	720,265	18,290,774	(17,570,509)
-	-	-	Water/Water Distribution	159,608,895	86,633,258	72,975,637
-	-	-	Electricity /Electricity Distribution	72,286,438	58,775,893	13,510,545
-	**-**	**-**		**398,360,142**	**390,214,441**	**8,145,701**
			Other charges			
-	-	-	Municipality	398,360,142	390,214,441	8,145,701
-	**-**	**-**	**Total**	**398,360,142**	**390,214,441**	**8,145,701**

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2011

	Current year 2011 Act. Bal. Rand	Current year 2011 Bud. Amt Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	29,014,752	37,663,280	(8,648,528)	(23.0)	
Service charges	55,926,651	50,548,390	5,378,261	10.6	
Rental of facilities and equipment	3,420,226	1,419,551	2,000,675	140.9	
Fines	552,589	803,320	(250,731)	(31.2)	Main road closed for re-construction
Licences and permits	4,608,505	7,261,590	(2,653,085)	(36.5)	
Government grants & subsidies	293,233,162	215,929,424	77,303,738	35.8	
Recoveries	630,693	-	630,693	-	
Other income	6,962,021	20,287,318	(13,325,297)	(65.7)	
Interest received - investment	4,011,543	6,606,250	(2,594,707)	(39.3)	
	398,360,142	340,519,123	57,841,019	17.0	

Nkomazi Local Municipality
Appendix E(1)
June 2011

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2011

	Current year 2011 Act. Bal.	Current year 2011 Bud. Amt	Variance		Explanation of Significant Variances greater than 10% versus Budget
Expenses					
Personnel	(169,458,266)	(166,053,519)	(3,404,747)	2.1	Not all budgeted positions filled
Remuneration of councillors	(14,107,252)	(15,133,027)	1,025,775	(6.8)	
Depreciation	(36,672,701)	-	(36,672,701)	-	GRAP implementation not budgeted
Amortisation	(38,884)	-	(38,884)	-	
Finance costs	(3,109,187)	(9,939,253)	6,830,066	(68.7)	
Bad debt provision	-	-	-	-	Budget not reflecting true bad debts position
Repairs and maintenance	(25,668,430)	(22,406,345)	(3,262,085)	14.6	Under expenditure on maintenance
Bulk purchases	(43,229,297)	(46,294,700)	3,065,403	(6.6)	
Contracted Services	(4,219,346)	(6,377,938)	2,158,592	(33.8)	
General Expenses	(93,711,078)	(80,048,343)	(13,662,735)	17.1	
	(390,214,441)	(346,253,125)	(43,961,316)	12.7	
Other revenue and costs	-	-	-	-	
Net deficit for the year					
	8,145,701	(5,734,002)	13,879,703	(242.1)	
Loss for the year					
	8,145,701	(5,734,002)	13,879,703	(242.1)	

Nkomazi Local Municipality
Appendix E(2)
June 2011

Budget Analysis of Capital Expenditure as at 30 June 2011

	Additions Rand	Original Budget Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality						
Executive & Council/Mayor and Council	362,083	678,000	678,000	315,917	**47**	
Budget & Treasury	235,939	2,535,500	2,535,500	2,299,561	**91**	
Corporate Services	1,080,747	4,300,000	4,300,000	3,219,253	**75**	
Planning & Development	1,484,990	9,110,000	9,110,000	7,625,010	**84**	
Community & Social Services	2,512,425	30,552,800	30,552,800	28,040,375	**92**	
Infrastructure Development	111,036,264	129,543,076	129,543,076	18,506,812	**14**	
	116,712,448	**176,719,376**	**176,719,376**	**60,006,928**	**34**	

Nkomazi Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2011

Name of Grants	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld				
EQS	11,707	29,366	47,024	-	196,588,097	-	-	-	-	(196,588,097)	-	-	-	-	-
MIG	00,000	00,000	82,000	-	91,482,000	12,914)	49,270)	46,226)	3,106,790)	(74,506,565)	-	-	-	-	-
DWAF	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DSAC Library	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FMG	00,000	-	-	-	1,000,000	-	-	-	-	(1,000,000)	-	-	-	-	-
MIG PMU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MSIG	50,000	-	-	-	750,000	-	-	-	-	(750,000)	-	-	-	-	-
WSOG	65,000	43,000	47,000	-	11,355,000	-	-	-	-	(11,355,000)	-	-	-	-	-
INEG	48,000	52,000	-	-	4,500,000	-	-	-	-	(4,500,000)	-	-	-	-	-
OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	74,707	24,366	76,024	-	305,675,097	12,914)	49,270)	46,226)	3,106,790)	(288,699,662)	-	-	-	-	-

Note : above amounts are in millions (R'000)